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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

September 9, 1946

To the Manager:

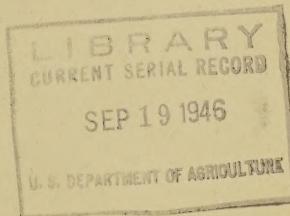
At the suggestion of many co-op managers and others, we are starting in this issue a story of the REA program and the cooperative movement, told in questions and answers form, and to run serially in your newsletter under the heading, "KNOW YOUR COOPERATIVE." We have one suggestion to make about the first installment, in this issue. If you have any difficulty filling in the historical data in the answers to the last question, "HOW IS AN REA CO-OP ORGANIZED?", or if you feel for any reason that you should not give so many details about your co-op's early history, you should ELIMINATE ALL OF THE ANSWER TO THIS QUESTION, BEGINNING WITH THE WORDS "BRINGING THIS QUESTION HOME." In fact, in our discussions with others here in REA, we have concluded that it will be advisable for many co-ops to do this.

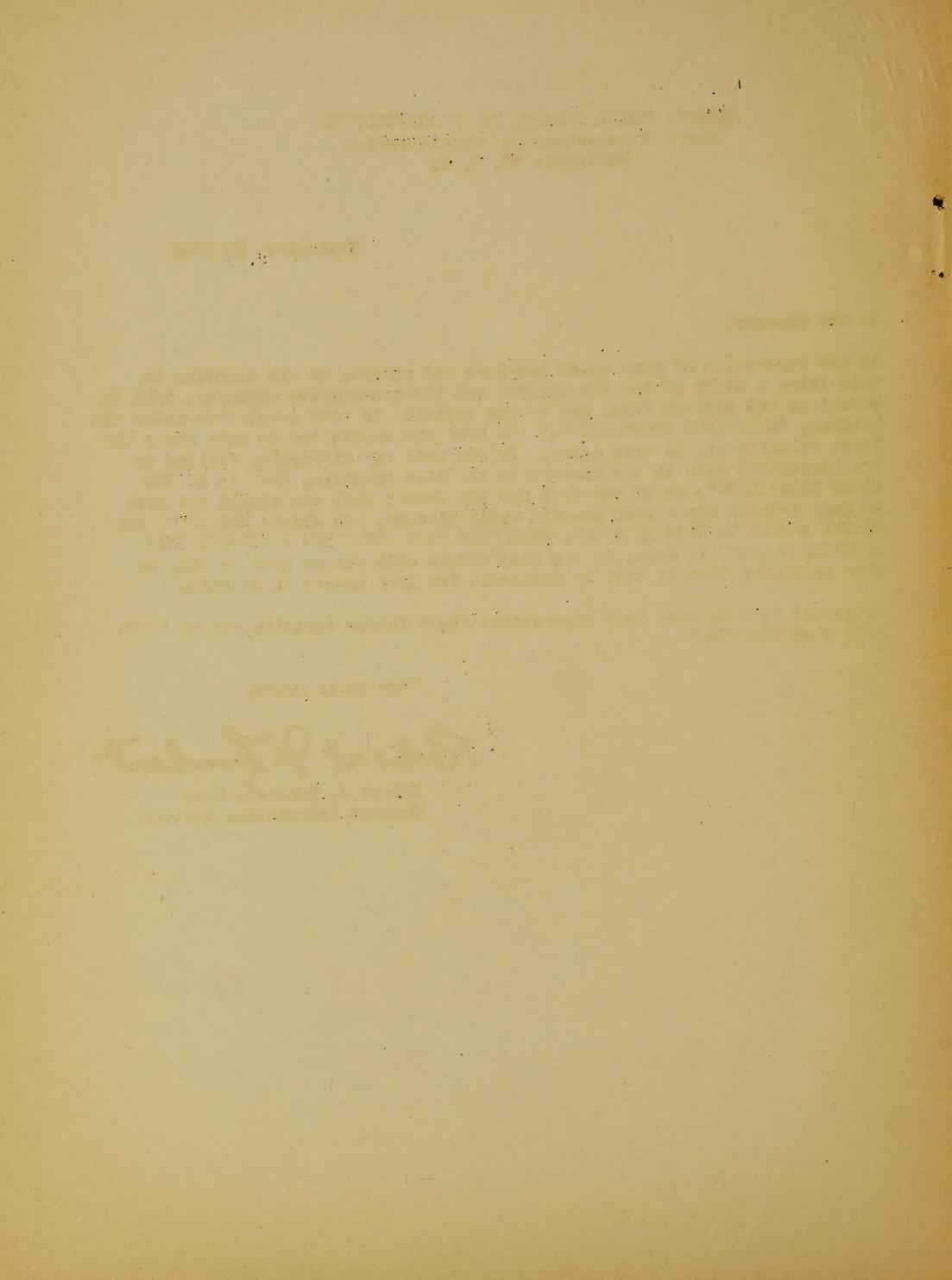
We should like to have your suggestions about future installments of "KNOW YOUR CO-OPERATIVE."

Very truly yours,

Robert J. Lambert

Robert J. Lambert, Head
Current Information Section





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NEWSLETTER TOPICS

WICKARD SAYS UTILITIES CAN HELP
PROGRAM WITH REAL COOPERATION

Many of the nearly three million United States farms that still do not have electric service can be reached only through the cooperative plan, and commercial utilities can best help them get service by abandoning tactics that impede the progress of the co-ops, REA Administrator Claude R. Wickard stated in two of his most recent speeches.

Speaking before the American Institute of Cooperation at Purdue University, Lafayette, Ind., on August 30, Administrator Wickard said, "The choice is not between service from cooperatives and service from corporations. The choice is between electricity and no electricity."

Public statements of commercial utility officials in 1935 and 1945 show that their attitude toward rural electrification has not changed, he pointed out. They still believe that many farmers do not need electricity, and they still limit their rural service to thickly settled farm areas they can serve profitably, leaving farms beyond their self-defined profit zone without service.

This utility attitude encouraged the adoption of the cooperative plan for rural electrification in 1935 and when Congress enacted REA legislation a year later cooperatives and public bodies were given preference for REA loans. Since that time, REA co-ops have grown to a total of more than 900, with a membership in excess of 1,500,000, and he predicted that within the next two years their number would increase to 1,100 with 2,300,000 members.

Non-profit REA co-ops are organized for the sole purpose of serving rural people who need electricity, he explained, and their service must be available to everyone in their areas. Electrification of every farm in the country is the ultimate goal of their complete area coverage plans.

To complete this job, the co-ops must be free to serve every farm in their territories and they must have an abundance of cheap power to encourage the fullest possible use of electricity by their members.

Activities of many of the commercial power companies have seriously hampered the co-ops' work. While utility officials were loudly proclaiming their desire to cooperate in completing the rural electrification job, cream-skimming line building has been resumed in many places. Dual rates for power sold to co-ops in some states have discouraged full use of power by rural members and barred small industries from co-op lines. Unreasonable wholesale

power rates have had a similar effect in other localities. Congressional Committees have been constantly urged to deprive REA of its authority to make loans for generating facilities, and to discontinue its loan appropriations for line building.

"The first sign I would like to see from leaders of the utility industry who say they want to cooperate," Mr. Wickard told members of the Illinois Association of Electric Cooperatives at Springfield on September 5, "is open abandonment of cream-skimming and spite line activities in territory in which they have no idea of providing area coverage electrification. Next, I would ask the utilities to abandon such dog-in-the-manger tactics as the dual rate schedule devised for limiting the services of REA cooperatives buying power from them. Finally, I would suggest that they give immediate attention to the problems growing out of deficiencies in generation and transmission facilities so that they can be in a position to provide adequate power at a reasonable cost."

By doing this rather than constantly opposing REA authorizations for serving rural people, both the commercial power companies and the rural electrification program will be better off, Mr. Wickard declared.

PUBLIC WORK STOPPAGE DOES NOT
APPLY TO CO-OP CONSTRUCTION

President Truman's recent order stopping work on many Federal projects by curtailing expenditures for public works does not apply to construction activities of REA-financed rural electrification enterprises.

REA borrowers are strictly privately-owned, locally-controlled business enterprises and their activities are in no way related to the public works program. They receive no grants or subsidies from the Government. They borrow Federal funds to finance their construction activities, but they are obligated to repay these loans, with interest, just as any other private business enterprise must do.

In bringing this fact to the attention of borrowers recently, Administrator Wickard requested them to reduce their purchases of maintenance materials, defer general plant improvements, and delay the purchase of tools, equipment and motor vehicles as long as possible "to cooperate to the greatest extent possible in carrying out the President's objective of avoiding inflationary pressure."

This clearly defined ruling by informed Government authorities should convince even the most skeptical that private utility propaganda attacking the status of REA co-ops as private business enterprises is without foundation in fact.

EXISTING DEMAND FOR ELECTRICAL APPLIANCES SET AT HALF-BILLION

Manufacturers estimate that there is an existing demand among farmers for approximately \$500,000,000 worth of electrical appliances of all kinds, including both household and farm production equipment.

Producers of refrigeration equipment estimate that there is a current demand for 300,000 home freezer units, including frozen food cabinets, walk-in refrigerator units, milk coolers and other related items, according to information released by their association to the New York Times on August 11.

A survey of the association among consumers served by REA-financed facilities disclosed an immediate market for 67,424 quick-freeze and cold storage cabinets of 20 to 25 cu. ft. capacity; 13,307 walk-in type freezer units and 43,471 milk coolers.

This practically virgin farm market has resulted from new rural consumer connections while the refrigeration units were not available for purchase, and from new rural electrification projects that are already authorized and under way.

KNOW YOUR COOPERATIVE Part I

Q. WHAT IS AN REA COOPERATIVE?

- A. It is a private business enterprise, incorporated under the laws of the State in which it operates, that has borrowed money from REA to build an electric power system to provide electric service in its area.

Q. WHAT IS REA AND WHAT DOES IT DO?

- A. The Rural Electrification Administration of the Department of Agriculture is popularly referred to as the "REA." It was established in May, 1935, by an executive order of the President, when only 10 percent of the farms in the United States were receiving central station electric service. The order authorized it to extend loans for the purpose of building electric power facilities in rural areas. REA construction loans must be self-liquidating. They bear interest at 2 percent and must be repaid within 35 years. They may cover 100% of the project's cost.

Q. WHAT LED TO THE LARGE-SCALE DEVELOPMENT OF REA COOPERATIVES?

- A. When REA was set up in 1935, it was expected that established utility companies would borrow a major part of its loan funds. REA was authorized to lend \$100,000,000 during the first two years.

Commercial power companies borrowed less than \$1,000,000 of this sum. Farmers' cooperative groups borrowed \$11,000,000. Public bodies borrowed \$2,000,000. When the Rural Electrification Act was passed in 1936, Congress provided that cooperatives and public bodies should be given preference in allocating REA loans. Since that time, cooperatives have obtained more than 95 percent of all REA loans.

Q. WHO MAY ORGANIZE AN REA COOPERATIVE?

- A. REA is authorized by law to extend loans to supply central station electric service to farmers and other rural people who do not have it. Farmers and rural people qualifying under this provision of the law may form their own cooperatives to supply that need.

Q. WHAT DOES AN REA CO-OP DO?

- A. Its sole function is to provide farmers and rural people in its service area with central station electric service at rates they can afford to pay. To do this, it operates on a strict service-at-cost, non-profit basis.

Q. HOW IS AN REA CO-OP ORGANIZED?

- A. An REA cooperative must originate in its home community from a common desire for electric service on the part of local farmers and rural people who do not have it. Its early organization is worked out by groups of these local people who meet for the purpose of determining what they must do to qualify for an REA loan, and who proceed with the organization from that point. Bringing this question home, the (co-op name) was started at a meeting of (list names of original organizers) that was held in the (exact spot) at (name of town) on (month & day), 19 . These pioneers consulted the Rural Electrification Administration and were instructed how to proceed so that their organization could be considered for an REA loan. Through the medium of neighborhood meetings held at (names of places), and by personal solicitation, they obtained the applications of (no.) members and perfected their organization. The first board of directors consisted of (list names), and the officers were , President, Vice President, , secretary-treasurer. (If latter two were separate, so list them) All board members were elected by the co-op membership. (name) was the project attorney. The co-op was legally incorporated in (State) on (date). Its original application for a loan was forwarded to REA on (date). On (date), REA approved a loan for \$ to cover construction of miles of lines to serve consumers. This is a typical illustration of how an REA co-op is organized and started on its way.

(To be continued in our next newsletter)

REA SHORTS

(The following short items can be used as space fillers where needed. If not needed in your next issue, save for future use)

The Mason County Public Utility District No. 1, Hoodspur, Washington, became REA borrower No. 1000 early in September with approval of a loan of \$63,000. The Utility District is now operating rural lines financed by revenue bonds, but has never before borrowed REA funds. Of the 1000 REA borrowers, 921 are co-ops, 39 are public utility or public power districts, 20 are municipalities or other public bodies, and 20 are commercial utilities. Most of the commercial utility loans were made in the early years of the REA program.

A forward-looking REA co-op in Idaho, has already entered into a contract with the Bureau of Reclamation to buy public power from the Anderson Ranch Dam, which is now under construction in southern Idaho. As a result, this small western co-op will be able to reduce its wholesale power costs sharply after the dam is completed in 1948.

"In addition to the part electric power is playing on individual farms, the broader community services of the REA cooperatives are contributing to the building of a sound rural economy." -- Secretary of Agriculture, Clinton P. Anderson.

"The cooperative efforts of farmers to get adequate power at reasonable rates, by owning and managing their own facilities, is private enterprise at its best." -- Administrator, Claude R. Wickard.

Congress instructed the REA to give non-profit cooperatives preferred loan status because it believed that rural people would use the cooperative plan to complete the entire rural electrification job. No co-op can consider its part of the bargain fulfilled until its lines are accessible to the last unelectrified farm in its service area.

